

BALDWIN-LIMA-HAMILTON

C O R P O R A T I O N



Annual Report
1953

BOARDS

621.3

L1931

*Lima Crane, pouring concrete for the
Neversink Dam project of the New
York Board of Water Supply.*



43rd
Annual Report

**BALDWIN-LIMA-HAMILTON
CORPORATION**

PHILADELPHIA 42, PA.

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EDDYSTONE DIVISION

LIMA WORKS

HAMILTON DIVISION

STANDARD STEEL WORKS DIVISION

AUSTIN-WESTERN COMPANY

THE PELTON WATER WHEEL COMPANY

December 31, 1953



BALDWIN-LIMA-HAMILTON CORPORATION

Incorporated under the Laws of the Commonwealth of Pennsylvania

GENERAL OFFICES AT BALDWIN, EDDYSTONE, PENNSYLVANIA

DIRECTORS

CHARLES E. BRINLEY	Chestnut Hill, Pa.
HENRY B. BRYANS	Bryn Mawr, Pa.
H. E. COOMBE	Cincinnati, Ohio
JOSEPH N. EWING	Valley Forge, Pa.
EDWARD HOPKINSON, JR.	Chestnut Hill, Pa.
McCLURE KELLEY	Aurora, Ill.
WM. CLARKE MASON	Chestnut Hill, Pa.
FREDERIC A. POTTS	Whitemarsh, Pa.
JEROME PRESTON	Boston, Mass.
GWILYM A. PRICE	Pittsburgh, Pa.
WILLIAM WOOD PRINCE	Chicago, Ill.
GEORGE A. RENTSCHLER	Cincinnati, Ohio
WALTER A. RENTSCHLER	Hamilton, Ohio
A. W. ROBERTSON	Pittsburgh, Pa.
JOHN J. ROWE	Cincinnati, Ohio
ROBERT C. SHIELDS	Detroit, Mich.
MARVIN W. SMITH	Wynnewood, Pa.
RALPH K. STILES	Aurora, Ill.

EXECUTIVE COMMITTEE

GWILYM A. PRICE, Chairman	GEORGE A. RENTSCHLER
McCLURE KELLEY	WALTER A. RENTSCHLER
MARVIN W. SMITH	

OFFICERS

GEORGE A. RENTSCHLER	Chairman of the Board
MARVIN W. SMITH	President
CHARLES E. ACKER	Vice-President—Corporate and Financial and Secretary
H. F. BARNHART	Vice-President—Lima Division
A. A. BYERLEIN	Vice-President—Hamilton Division
J. F. CONNAUGHTON	Vice-President in Charge of Eddystone Division
JOHN S. NEWTON	Vice-President—Eddystone Division
WALTER A. RENTSCHLER	Vice-President in Charge of Hamilton Division
JOHN D. TYSON	Vice-President in Charge of Standard Steel Works Division
R. NEVIN WATT	Vice-President—Eddystone Division
C. T. ZIEGLER	Vice-President—Hamilton Division
HOWARD D. HUMPHREYS	Treasurer and Assistant Secretary
PERRY A. WHITE	General Controller

GENERAL COUNSEL

MORGAN, LEWIS & BOCKIUS
Philadelphia

TRANSFER AGENTS

Common Stock, \$13 Par Value

IN PHILADELPHIA:

Fidelity-Philadelphia Trust Company
Broad and Walnut Streets

IN NEW YORK:

Bankers Trust Company, 16 Wall Street

IN CINCINNATI:

The Fifth Third Union Trust Company
Fourth and Walnut Streets

REGISTRARS

Common Stock, \$13 Par Value

IN PHILADELPHIA:

The Pennsylvania Company for Banking and Trusts
15th and Chestnut Streets

IN NEW YORK:

The National City Bank of New York
55 Wall Street

IN CINCINNATI:

The Central Trust Company
Fourth and Vine Streets

To The Shareholders:

In all divisions of the Company production was maintained at a good rate throughout most of the year. Shipments slightly exceeded the post-war record year of 1952. The consolidated sales were \$276,258,050 compared to \$268,998,128 for 1952. Net profit after taxes and all other charges amounted to \$7,361,213 or \$1.54 per share for 1953, as compared to \$7,222,925 or \$1.51 per share for the year 1952.

Although the volume of shipments increased during the year, the rate of incoming orders declined. This trend together with cancellations and cut-backs in defense work brought backlogs at the end of the year down to about one-half of the amount on hand at the end of 1952. It is well to note, however, that this backlog, more than 90% of which is commercial, is still quite substantial, averaging more than six months' production for many product lines and in some cases, such as hydraulic turbines, more than a year's production.

A further substantial reduction in inventories was accomplished during the year even though shipments averaged about the same as the previous year. The actual reduction amounted to over \$11,700,000, which is about 14% of the December 31, 1952 inventory.

In the face of declining backlogs and keener competition, more engineering development, shop processing and production planning are being directed toward cost reduction. Concentration of operations and more effective use of facilities are also being studied with the same objective in mind.

OPERATIONS AND PRODUCTION

EDDYSTONE DIVISION

DEFENSE PRODUCTS

The year 1953 witnessed the completion or cancellation of most of our defense contracts. From Eddystone a total of 1207 tank hulls were shipped. This completed the tank hull contracts under which we fabricated and machined a total of 2631 hulls for the M-47 and M-48 tank programs. These tank hulls were in addition to the 699 hulls which were machined and fitted with components at our Lima Plant.

All of the Atomic Gun Carriages referred to in our last year's report have been completed with successful tests having been carried out in the Atomic Energy's proving grounds at Frenchman's Flat in Nevada.

The only remaining defense project of substantial volume is a sub-contract from Curtiss-Wright for the turbine assemblies and parts required on the J-25 Sapphire engine. Present indications are that this engine will continue in production for some

period of time and will be maintained at a reasonably high level of production.

Although there have been substantial cutbacks in defense spending, there are a number of defense items which will be required by the military and are suited to the Eddystone Division. It is, therefore, expected that we will participate in some degree in the Defense Program as it develops.

LOCOMOTIVES

It is, of course, generally recognized that the purchase of diesel locomotives has declined substantially as the steam locomotive replacement program of the railroads approaches the stage of completion. According to the *Railway Age*, the total locomotives purchased by the Class I railroads in 1952 and 1953 was less than half of the total number purchased in the two previous years. Our orders have likewise declined. It is interesting to note, however, that we now have in railroad service more than 3600 units ranging in ratings from 600 h.p. to 3,000 h.p. This large number of units provides a substantial market for spare part business which is continuing at a good rate.

In view of the decline in orders for domestic locomotives, special attention has been given to prospective orders for foreign business. Most of these foreign negotiations involve keen competition not only from the standpoint of price, but terms of payment as well. The lack of dollar exchange and unfavorable ratio of labor rates make it impossible to obtain orders in many countries.

We have continued to promote license agreements with responsible foreign builders under which locomotives of our design may be built for a fee to cover drawings, specifications and technical assistance. Under such an arrangement the John Cockerill Company, our Licensee in Belgium, obtained an order for 55—1600 h.p. locomotives for the Belgium State Railways. Prospects for additional business of this nature look reasonably good.

In the meantime development work is continuing on diesel locomotives of existing and still larger ratings, as well as on the other types of locomotives. For example, an interesting project nearing completion in the shops at Eddystone is a single unit 4500 h.p. steam turbine locomotive. It will operate at steam pressures and temperatures of 600 pounds per square inch and 900 degrees respectively. Both of these are much higher than values usually applied to steam locomotives. This advance has been made possible by the use of a water tube type boiler similar to those now used in modern steam power stations and is expected to result in marked improvement in efficiency and operation requirements of steam locomotives. If tests to be made in the near future verify calculations and expectations, a number

of applications for this promising and interesting type of locomotive should develop.

PRESSES

During the year 1953 we developed and improved a number of product lines to broaden the scope of diversification. Typical of these is the 100-ton press which was especially designed for the rapidly growing market in powdered metallurgy. This press has been designed to produce up to a maximum of 1800 pieces per hour and is a revolutionary type press in the powdered metal field. The automotive industry has shown particular interest in this new press and while some orders have already been received, it is expected that substantial orders will be received during 1954. Additional sizes are currently in the development stage to further expand this business.

Among several large hydraulic presses shipped the two most outstanding were the largest bending press ever built by the company, which is of 8,000 tons capacity and bends plates up to 45 ft. in length, and the 11,000 ton closed die forging press* for Cameron Iron Works, Inc., which was shipped, installed and tested during 1953. The Cameron unit is the largest press of its type in the world.

In the press field we also entered the relatively new field of fiber glass reinforced plastics, where we sold presses to develop body parts for the automotive industry. Two of these presses shipped in 1953 are now operating satisfactorily in customers' plants. We are currently carrying on further developments directed toward increased participation in this growing industry.

OTHER PRODUCTS

While last year indicated a very sharp reduction in the production and use of American ships, our propeller business continued at about the same level as 1952. During 1953 we developed a new nickel aluminum bronze alloy which we call "Nialite" permitting the use of higher stresses in the design of propeller wheels. A few of these wheels were sold and put in service during 1953 on an experimental basis and recent results have been most gratifying. This new metal and its performance is being most widely accepted by the ship operators on the Great Lakes and the Atlantic Seaboard and present indications are that while the new ship-building program for 1954 is not very large, we may look for a good year for replacement business on propellers due to the acceptance of "Nialite".

The year 1953 was another of several successive years in which our sales of testing equipment increased. We received several outstanding individual orders which helped to make this the largest year in the history of our testing equipment division. Lehigh University entered their order for a 5,000,000 pound

* See illustration.

capacity Universal Testing Machine. Although we have built two other units of this capacity within recent years, certain features of the Lehigh unit make it the largest testing machine of this type in the world.

The recent development of the SR-4 Universal Testing Machine marks the first revolutionary change in testing machine design and operation in the last fifteen years. Based on its acceptance during limited periods of showing in 1953, we look forward to increasing sales of this machine during the coming years.

During the past year we also introduced our first SR-4 crane scale which is now being released for sale on a packaged basis. Present indications are that this will be well received by industry as an item which will fill a long standing need.

While our backlog of hydraulic turbine orders is now quite large, 1953 was relatively quiet as to new negotiations. It is expected that 1954 will be more active, particularly with private companies.

There is, however, a growing threat from foreign competition on this class of large power equipment which inherently must be produced on a job shop basis with a high labor content. Foreign producers who have the advantage of low labor rates, in many cases less than one-third of ours, can often under-bid us. This situation is further accentuated through U. S. Government bidding procedures.

In view of the importance of this great power equipment industry to our national security and its interest to a large segment of skilled workers, it would appear that the Federal Government should take steps to limit imports of this type of equipment and thus assure the maintenance and growth of an industry so vital to our economy and national defense.

CONSTRUCTION EQUIPMENT DIVISION

In 1953, the Lima Plant, which produces cranes, shovels, crushers and related parts, and the Aurora Plant, which produces hydraulic cranes, motor graders, road rollers, sweepers and road building equipment parts, reached a maximum output as a result of a large volume of defense work added to a strong demand for their commercial products. Defense work has diminished greatly and the bulk of production in 1954 will be largely commercial items of the general construction equipment line. This part of the industry will probably be highly competitive but the coming year should be reasonably good because the plants in the division have been improved and modernized with new equipment and have new products in production and others nearing production.

At the Lima Plant the contracts for the tank hulls and amphibious vehicles were finished the latter part of 1953 and some

facilities will be idle for the present until other products can be put in their place. Lima is introducing at this time a $\frac{1}{2}$ yard shovel and crane, either rubber-tired or crawler type, and has nearly ready an entirely new and modern 50-ton shovel and crane. Rock crushing equipment recently transferred to Lima from Aurora has become a sizable part in Lima's production, and new engineering is likewise taking place on this product. Lima products enjoy a good reputation and are widely distributed.

At the Aurora Plant the large output of military hydraulic cranes is diminishing as the government pipelines become filled, giving an opportunity to distribute these same products to the civilian trade. This has heretofore been impossible because of the large military demand. A new and improved 6 wheel drive motor grader* is currently being introduced to the trade. Later on this year, a completely new design of road roller and a new sweeper will be put in production at the Rochelle branch of the Aurora Plant. A new hydraulic crane*, which operates equally well inside or outside industrial plants, has been developed to meet the needs of the important materials handling market. While the volume at Aurora will not reach the 1953 record, it is believed that the constantly new and improved products will have a good acceptance in the trade and result in a satisfactory volume for 1954.

Products produced at the Lima, Aurora and Rochelle Plants, having a combined floor space of over 1,750,000 sq. ft., cover quite a large portion of the Construction Equipment Industry and the joint sales effort of these plants is making a substantial contribution to the distribution and acceptance generally of products of the corporation. The output of the Construction Equipment Division amounted to almost 40% of the Company's total sales in 1953. This Division represents one of the most important and promising segments of the Company's operations and its activities and accomplishments have added materially to the overall product diversification program.

HAMILTON DIVISION

Although machine tool orders for both defense and industrial plants declined substantially during the year, there is still active interest in and consideration of the larger type machine tools for stand-by defense production. In spite of this drop in new orders the production of large machine tools was carried on at a high rate during the entire year.

If the more liberal allowances for depreciation of capital equipment proposed in the tax bill now being considered are adopted, this should materially stimulate the purchase of new machine tools by many industries.

* See illustration.

The increase in orders for mechanical stamping presses, predicted in last year's report, has materialized and the Division now has a good share of the industry backlog, largely for automobile bodies and parts, which is at an all time high.

In 1953 the can-making industry used over 25% more steel for tin cans than was used in 1952. This increase is about the same proportional rate experienced by the industry since 1945 as a result of additional can-making facility requirements that have developed throughout the world. In the light of this picture the prospects for new business are quite promising and with the recent developments at Hamilton for higher speed can-making machinery, the rate of activity in this type of equipment can be expected to increase substantially during the next year or two.

Design and development work has continued on the Company's line of diesel engines for both marine and stationary applications. During the year several large stationary diesel engines, which will operate on gas as well as oil, were produced for rural electrification authorities and municipal governments. These engine installations represent a forward economical step in power generation and open a large potential in the stationary diesel engine field. Diesel engines were also produced for use in river tow-boats, which promises to be an expanding application in the marine field.

With respect to 1953 shipments, one interesting item is a two-cycle single acting diesel engine* designed to operate on very heavy and low cost fuel oil. This engine, which was produced for the City of Decatur, Indiana, is one of the largest units of this type ever built to operate on this type of fuel. It is over 45 feet long and weighs almost 500,000 pounds. Another noteworthy item shipped during the year was a large mechanical stamping press* built for Midland Steel Products Company for use in making side frames for the automotive industry. This unit, which is the largest of its type ever built, weighs 1,800,000 pounds.

STANDARD STEEL WORKS DIVISION

Both shipments and bookings declined at Standard during the year largely as a result of defense cut-backs.

A number of new machine tools and other facilities were installed which should widen the scope of Standard's products and effect cost reductions. Special attention is also being given to cost savings through improved methods of material handling and automatic devices to eliminate hand labor.

The first shutdown for major repair of the rotary hearth ingot heating furnace in the Wheel Rolling Mill since its installation

* See illustration.

in 1948 was arranged during the vacation shutdown period. This is the largest rotary hearth ingot or billet heating furnace in the world. It was gratifying to find that the repair work necessary was of a minor nature.

A number of new products with respect to shape and quality specifications were developed during the year. One of the outstanding examples so far as shape is concerned is a one piece rotor and drive plate used in an axial flow compressor for the Atomic Energy Commission. This forging of alloy steel was produced under the 10,000 ton presses in the Wheel Mill, and it replaces an assembly formerly built up by weldments. Another example is the cylinder forging and cover forging for the new type of steam catapult which is used to launch jet aircraft from Navy vessels. These forgings are of high alloy steel with high impact properties and were produced by a special die forging process under our open-end die hammers and presses.

Rings and flanges were successfully produced of Monel metal which is almost pure nickel. In addition to producing a number of rings and flanges of the higher alloy stainless steel grades, a considerable amount of development work was done on the higher alloy heat resisting rings which are used in jet engines, gas turbines, and various atomic energy fields.

Changes made in Standard's sales organization and programs planned for the coming year, are expected to improve our overall sales coverage and bookings particularly in the industrial field.

THE PELTON WATER WHEEL COMPANY

The Pelton Water Wheel Company, West Coast subsidiary engaged in the building of hydraulic turbines and related apparatus, experienced another good year. In anticipation of stiffer competition a strenuous effort was made to streamline organization, improve manufacturing efficiency, and diversify production at both the main plant in San Francisco and at the oil industry machinery plant in Los Angeles.

At San Francisco, the turbine works, improvements included a castings repair and processing department designed with emphasis on employees' health and safety, a completely equipped testing facility for hydraulic turbine governors, and several major machine tools. Engineering development continued apace and included an unusual joint effort by the Company and a neighboring foundry, the outcome of which was a new line of buckets and wheels for impulse turbines believed to be the equal of any produced the world over. Shipments included the 150,000 h.p. 2500 foot head vertical impulse turbine and governor for the Kitimat Project of the Aluminum Company of Canada and installation of this record size prime mover is well along.

At Los Angeles, the oil well pumping equipment plant, a small machine shop was constructed to round out the facility and reduce sub-contracting costs. Two smaller models of hydraulic pumper for producing stripper wells were developed to complete the line of long-stroke pumping equipment. The Company is now offering the oil industry a full line of surface pumping units from the smallest to the largest ever built and capable of producing oil from well depths of 2,000 through 12,000 feet.

INDUSTRIAL RELATIONS AND PERSONNEL

With one exception, all labor negotiations conducted with Unions representing the hourly rated employees of the several divisions and subsidiaries were concluded without interruption of work. The International Brotherhood of Electrical Workers (A. F. of L.) representing approximately 180 hourly rated employees of the Eddystone Division, called a strike on September 25, 1953, which lasted until November 9, 1953. No serious interruption of production schedules was occasioned by this strike.

Mr. Raymond B. Crean resigned as Vice-President in Charge of Southwark Operations of Eddystone Division, effective March 15, 1953.

Mr. W. Raymond Parshall resigned as General Controller as of April 30, 1953, and Mr. Perry A. White, formerly Controller of Eddystone Division, was appointed General Controller effective May 1, 1953.

As of May 28, 1953, Mr. Walter A. Rentschler was elected Vice-President in Charge of Hamilton Division and Mr. J. F. Connaughton, formerly General Manager of the Hamilton Division, was elected Vice-President in Charge of Eddystone Division.

BALDWIN-LIMA-HAMILTON FUND

Following the practice adopted by many corporations, your Company in December established the Baldwin-Lima-Hamilton Fund by an initial grant to the Fund of \$500,000. The fund will be applied from time to time by its Trustees for charitable, educational and scientific purposes.

PLANT AND EQUIPMENT

Capitalized expenditures for plant and equipment in 1953 were \$3,308,737 and the provision for depreciation and amortization amounted to \$2,932,341.

Attention to maintenance has been given in all departments of the consolidated company to insure that all properties and equipment now in use are in good condition.

EARNINGS AND FINANCE

Financial highlights of Baldwin for the years 1953 and 1952 are as follows:

	1953	1952
Orders unfilled at end of year	\$119,049,352	\$247,970,479
Orders received	155,042,225	232,793,418
Net sales	276,258,050	268,998,128
Net income	7,361,213	7,222,925
Net income per share	\$1.54	\$1.51
Cash dividends	3,826,223	2,869,554
Cash dividends per share	\$.80	\$.60
Net income reinvested in the business	3,534,990	4,353,371
Taxes on income	11,750,000	12,000,000
Social security taxes	1,503,041	1,582,802
Other taxes	1,403,895	1,251,993
Total taxes	14,656,936	14,834,795
Taxes per share	\$3.06	\$3.10
Year end:		
Inventories	73,913,843	85,679,823
Bank loans	4,500,000	17,000,000
Working capital	71,404,433	69,755,001
Working capital per share	\$14.93	\$14.58
Shareholders' book equity	113,209,522	109,674,532
Shareholders' book equity per share	\$23.67	\$22.93

Four cash dividends on the Company's common stock, each of \$.20 per share, were declared during the year and were paid on April 30, July 31 and October 31, 1953 and on January 30, 1954.

A major portion of the inventory was represented by work in process on customers' orders. The inventories have been carefully checked as to existence and are stated at the lower of cost or market.

This report is submitted on behalf of the Board of Directors.

MARVIN W. SMITH
President

GEORGE A. RENTSCHLER
Chairman of the Board

March 10, 1954

BALDWIN-LIMA-HAMILL
and sub

CONSOLIDATED

December 31,

ASSETS

	1953	1952
CURRENT ASSETS:		
Cash	\$ 9,543,215	\$ 9,894,009
Notes and accounts receivable (less reserve, \$236,000 in 1953 and \$225,693 in 1952)	28,089,320	35,144,498
Inventories at lower of cost or market (after reserve, \$1,351,000 in 1953 and \$1,349,151 in 1952)	73,913,843	85,679,823
<i>Total Current Assets</i>	<u>\$111,546,378</u>	<u>\$130,718,330</u>
 NOTES AND ACCOUNTS RECEIVABLE— not due within one year	 3,798,858	 2,791,837
 INVESTMENTS—at cost (less reserve, \$12,499 in 1953 and 1952)	 498,157	 468,028
 PROPERTY, PLANT AND EQUIPMENT— at cost (less reserve for deprecia- tion and amortization, \$51,003,660 in 1953 and \$57,141,016 in 1952)	 40,614,424	 40,491,315
 PREPAID EXPENSES	 287,650	 358,073
	<u><u>\$156,745,467</u></u>	<u><u>\$174,827,583</u></u>

See Notes to Fin

LTON CORPORATION
 subsidiaries

BALANCE SHEET
 1953 and 1952

LIABILITIES

	1953	1952
CURRENT LIABILITIES:		
Bank loans payable	\$ 2,500,000	\$ 14,000,000
Accounts payable	14,903,764	13,741,736
Dividend payable	956,556	717,417
Advances on sales orders	2,308,438	12,497,964
Taxes on income	15,587,706	14,473,973
Other taxes, wages, commissions, etc.	3,885,481	5,532,239
<i>Total Current Liabilities</i>	<i>\$ 40,141,945</i>	<i>\$ 60,963,329</i>
 BANK LOANS PAYABLE — not due within one year	 2,000,000	 3,000,000
 RESERVES FOR PRODUCT GUARANTEES AND OTHER EXPENSES	 1,394,000	 1,189,722
 SHAREHOLDERS' EQUITY:		
Common stock, \$13 par:		
Authorized, 5,000,000 shares		
Issued and outstanding, 4,782,778 shares	62,176,114	62,176,114
 Surplus:		
Capital in excess of par value of capital stock	26,827,335	26,827,335
Accumulated earnings reinvested in the business	24,206,073	20,671,083
<i>Total Shareholders' Equity</i>	<i>\$113,209,522</i>	<i>\$109,674,532</i>
	<u>\$156,745,467</u>	<u>\$174,827,583</u>

BALDWIN-LIMA-HAMILTON CORPORATION
and subsidiaries

CONSOLIDATED STATEMENT OF INCOME

For the Years Ended December 31, 1953 and 1952

	1953	1952
INCOME:		
Net sales	\$276,258,050	\$268,998,128
Royalties and licenses	327,170	244,253
Interest earned	499,586	185,455
Net profit on sale of capital assets	437,641	44,489
Miscellaneous	99,286	31,353
<i>Total</i>	<u>\$277,621,733</u>	<u>\$269,503,678</u>
COSTS AND EXPENSES:		
Cost of products sold including selling and administrative ex- penses	\$252,707,181	\$244,620,270
Depreciation and amortization	2,932,341	2,449,626
Contributions for employees' re- tirement	2,219,442	2,410,200
Interest expense	636,828	799,899
Miscellaneous	14,728	758
<i>Total</i>	<u>\$258,510,520</u>	<u>\$250,280,753</u>
INCOME BEFORE TAXES ON INCOME	\$ 19,111,213	\$ 19,222,925
TAXES ON INCOME	<u>11,750,000</u>	<u>12,000,000</u>
NET INCOME	<u>\$ 7,361,213</u>	<u>\$ 7,222,925</u>
NET INCOME PER SHARE OF COMMON STOCK	\$1.54	\$1.51

See Notes to Financial Statements

BALDWIN-LIMA-HAMILTON CORPORATION
and subsidiaries

CONSOLIDATED STATEMENT OF SURPLUS

For the Years Ended December 31, 1953 and 1952

CAPITAL IN EXCESS OF PAR VALUE OF CAPITAL STOCK

	1953	1952
Balance, January 1	\$26,827,335	\$26,583,306
Unused reserve resulting from settle- ment of claims of dissenting stock- holders of Lima-Hamilton Corpora- tion	—	244,029
Balance, December 31	<u>\$26,827,335</u>	<u>\$26,827,335</u>

ACCUMULATED EARNINGS REINVESTED IN THE BUSINESS

	1953	1952
Balance, January 1	\$20,671,083	\$16,317,712
Net income	7,361,213	7,222,925
	<u>\$28,032,296</u>	<u>\$23,540,637</u>
Cash dividends declared on common stock	3,826,223	2,869,554
Balance, December 31	<u>\$24,206,073</u>	<u>\$20,671,083</u>

See Notes to Financial Statements

BALDWIN-LIMA-HAMILTON CORPORATION
and subsidiaries

NOTES TO FINANCIAL STATEMENTS

(1) The property, plant and equipment accounts of the Eddy-stone Division were adjusted during 1953 to the aggregate cost as shown by the plant inventory, and are now in agreement with the basis recognized by the United States Treasury Department for income tax purposes. This adjustment resulted in a reduction in the property, plant and equipment accounts as well as the related reserve for depreciation and amortization of approximately \$7,838,000. Such adjustment had no effect on the net book value of property, plant and equipment or the operating results for the year.

(2) The companies maintain pension plans covering substantially all employees. Contributions for 1953 to the trusts established under these plans covered both current service cost and a portion of the past service liability. It is estimated that the lump sum amount which would be required to fully pay the remaining unfunded past service liability at December 31, 1953 would be approximately \$9,000,000.

REPORT OF AUDITORS

To The Shareholders of
BALDWIN-LIMA-HAMILTON CORPORATION:

We have examined the consolidated balance sheet of Baldwin-Lima-Hamilton Corporation and subsidiaries as of December 31, 1953, and the related consolidated statements of income and surplus for the year then ended. It was not practicable to obtain confirmation of amounts due from the United States Government and we satisfied ourselves as to such amounts by other auditing procedures. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and the consolidated statements of income and surplus present fairly the consolidated financial position of Baldwin-Lima-Hamilton Corporation and subsidiaries at December 31, 1953, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY

PHILADELPHIA, PENNA.
FEBRUARY 25, 1954

BALDWIN-LIMA-HAMILTON CORPORATION

and subsidiaries

SALES OFFICES IN THE UNITED STATES

ATLANTA 2, GA.	1503 Northside Drive, N.W.
CHICAGO 4, ILL.	627 Railway Exchange Building
CLEVELAND 13, OHIO	520 Terminal Tower Building
DALLAS 2, TEXAS	1105 N. Industrial Boulevard
DAYTON 2, OHIO	407 Realty Building
DETROIT 2, MICHIGAN	425 Curtis Building
HOUSTON 25, TEXAS	713 Prudential Building
LOS ANGELES 14, CALIF.	999 Pacific Electric Building
MINNEAPOLIS 2, MINNESOTA	1120 Foshay Tower
NEW YORK 17, N. Y.	60 E. 42nd Street
PHILADELPHIA 42, PA.	General Office Building, Eddystone, Pa.
PITTSBURGH 19, PA.	567 Union Trust Building
SAN FRANCISCO 10, CALIF.	2929 Nineteenth Street
SAN FRANCISCO 5, CALIF.	33 Clementina Street
ST. LOUIS 3, MO.	514 Shell Building
SEATTLE 4, WASHINGTON	1932 First Avenue, South
WASHINGTON 5, D. C.	642 Wyatt Building

ALEX SMITH—Director of Foreign Sales

CHARLES A. CAMPBELL—Assistant Director of Foreign Sales

60 E. 42ND STREET, NEW YORK 17, N. Y.

**The Company has sales agents or technical representatives
in most countries of the world.**

DIVISIONS AND SUBSIDIARIES

EDDYSTONE DIVISION

J. F. CONNAUGHTON, Vice-President in Charge of
Eddystone Division

R. NEVIN WATT, Vice-President

JOHN S. NEWTON, Vice-President and Manager of Engineering

J. J. ROSECKY, Manager of Manufacturing

L. A. HESTER, Manager of Sales

ANDREW LISTON, Sales Manager—Industrial and
Defense Products

GEORGE E. MATHEWS, Controller

WILLIAM S. Y. HOWARD, Asst. Secretary and Asst. Treasurer

THOMAS E. MCFALLS, Asst. Secretary and Asst. Treasurer

LOCOMOTIVES

STEAM ELECTRIC DIESEL

STEAM BOILERS WELDED TANKS PLATE FABRICATION

ORDNANCE MATERIEL

DIESEL ENGINES FOR MARINE AND OTHER USES

WATER POWER TURBINES HYDRAULIC PRESS MACHINERY

TESTING MACHINES SPECIAL MACHINERY

RAILWAY DUMP CARS

IRON, BRASS AND BRONZE CASTINGS

PARSON'S WHITE BRASS AND BABBITT METAL INGOTS

PLANT AT BALDWIN

EDDYSTONE, PENNSYLVANIA

STANDARD STEEL WORKS DIVISION

JOHN D. TYSON

Vice-President in Charge of Standard Steel Works Division

EDWIN W. THOMAS, Works Manager

FRED E. GREGER, Sales Manager

CHARLES EDWARDS

Assistant Secretary and Assistant Treasurer

STEEL FORGINGS STEEL CASTINGS STEEL TIRES

WROUGHT STEEL WHEELS STEEL SPRINGS

WELDLESS RINGS

PLANT

BURNHAM, MIFFLIN COUNTY,

PENNSYLVANIA

CONSTRUCTION EQUIPMENT DIVISION

comprising

AUSTIN-WESTERN COMPANY and LIMA WORKS

McCLURE KELLEY, General Manager

H. F. BARNHART, Assistant General Manager

RALPH K. STILES, Director of Sales

AUSTIN-WESTERN COMPANY

Incorporated under the Laws of the State of Illinois

McCLURE KELLEY, President

RALPH K. STILES, Executive Vice-President

H. B. BUSHNELL, Vice-President in Charge of Labor Relations

J. W. CHAPMAN, Treasurer and Assistant Secretary

CHARLES E. ACKER, Secretary

C. M. LIPPINCOTT, Controller

ROAD GRADERS

HYDRAULIC CRANES

ROAD ROLLERS

STREET SWEEPERS

PLANTS

AURORA AND ROCHELLE, ILLINOIS

LIMA WORKS

H. F. BARNHART, Vice-President

ORIN J. GREIWE, Asst. Secretary and Asst. Treasurer

R. P. BAUER, Controller

POWER SHOVELS CRANES DRAG LINES PULL SHOVELS

ROCK CRUSHING EQUIPMENT

PLANT

LIMA, OHIO

CONSTRUCTION EQUIPMENT DIVISION

SALES OFFICES

ATLANTA 2, GA.1503 Northside Drive, N.W.

DALLAS 2, TEXAS.....1805 N. Industrial Boulevard

MINNEAPOLIS 2, MINN.....1120 Foshay Tower

NEW YORK 17, N. Y.....60 E. 42nd Street

SAN FRANCISCO 5, CALIF.....33 Clementina Street

SEATTLE, 4, WASHINGTON.....1932 First Avenue, South

WASHINGTON 5, D. C.....642 Wyatt Building

HAMILTON DIVISION

WALTER A. RENTSCHLER, Vice-President in Charge of
Hamilton Division

A. A. BYERLEIN, Vice-President

C. T. ZIEGLER, Vice-President

GEORGE H. LYNN, Sales Manager

STANLEY F. SCHRICHTE, Controller

J. W. LLEWELLYN, Asst. Secretary and Asst. Treasurer

FORMING AND STAMPING PRESSES

INDUSTRIAL AND RAILROAD MACHINE TOOLS

HAMILTON DIESEL ENGINES CORLISS ENGINES

STEAM MARINE ENGINES GAS ENGINES

CANE MILLING MACHINERY

HAMILTON CAN-MAKING MACHINERY

GLASS GRINDING AND POLISHING MACHINERY

HEAVY FORGINGS AND CASTINGS WELDMENTS

PLANTS

HAMILTON AND MIDDLETOWN, OHIO

THE PELTON WATER WHEEL COMPANY

Incorporated under the Laws of the State of California

OFFICERS

MARVIN W. SMITH, President

WILLIAM F. BOYLE

Vice-President and General Manager

CHARLES E. ACKER, Secretary and Treasurer

C. GLENN CRAWFORD, Manager, Sales-Service

ROBERT L. WOLTZ

Assistant Secretary and Assistant Treasurer

WATER POWER TURBINES AND GOVERNORS

BUTTERFLY, SPHERICAL AND CONE VALVES

SURGE SUPPRESSORS AND WATER WORKS VALVES

HYDRAULIC AND MECHANICAL OIL WELL PUMPING JACKS

MARINE VALVES, STEERING GEAR, AIRCRAFT ARRESTING GEAR
AND ANCHOR WINDLASSES

PLANTS

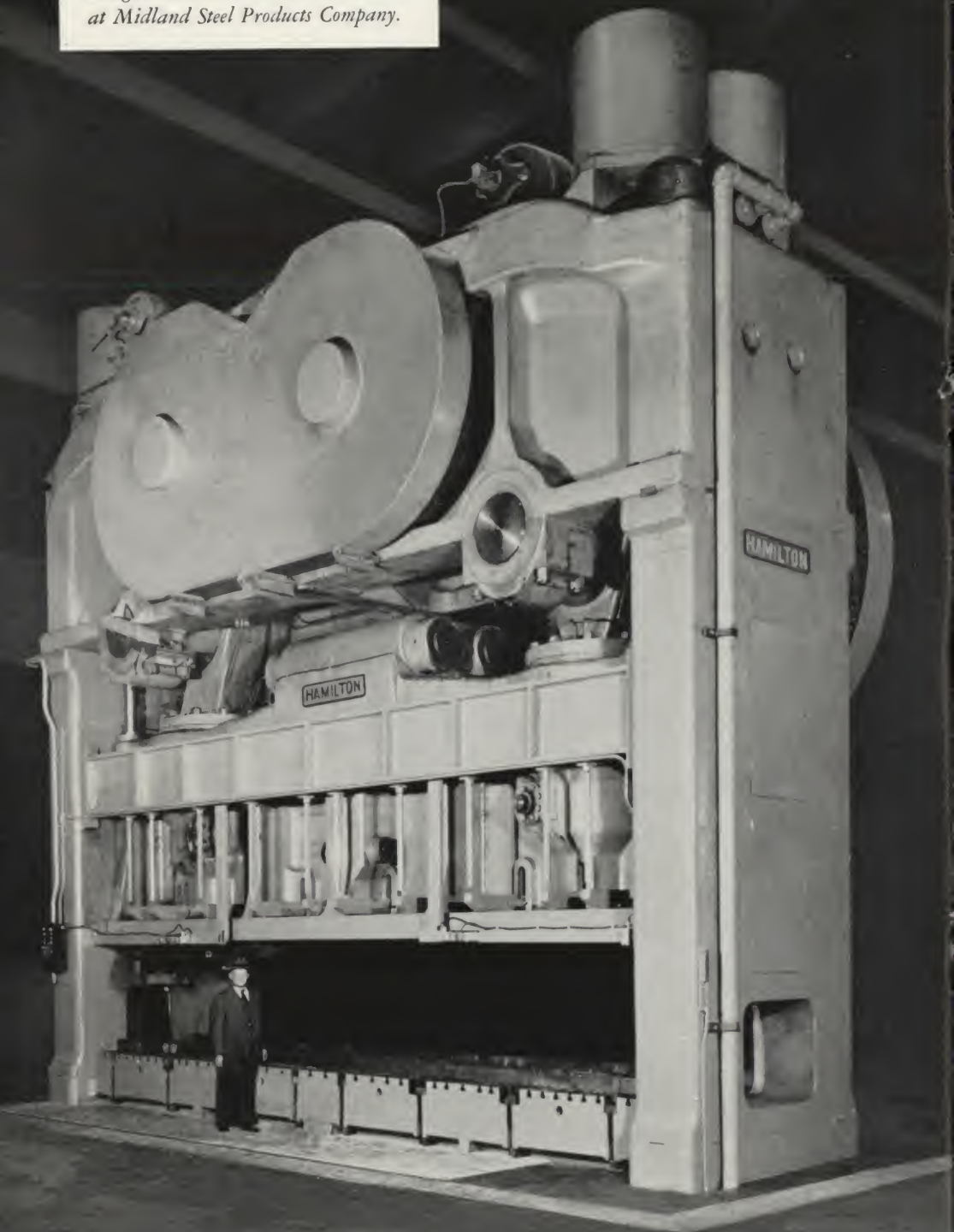
SAN FRANCISCO AND LOS ANGELES, CALIFORNIA



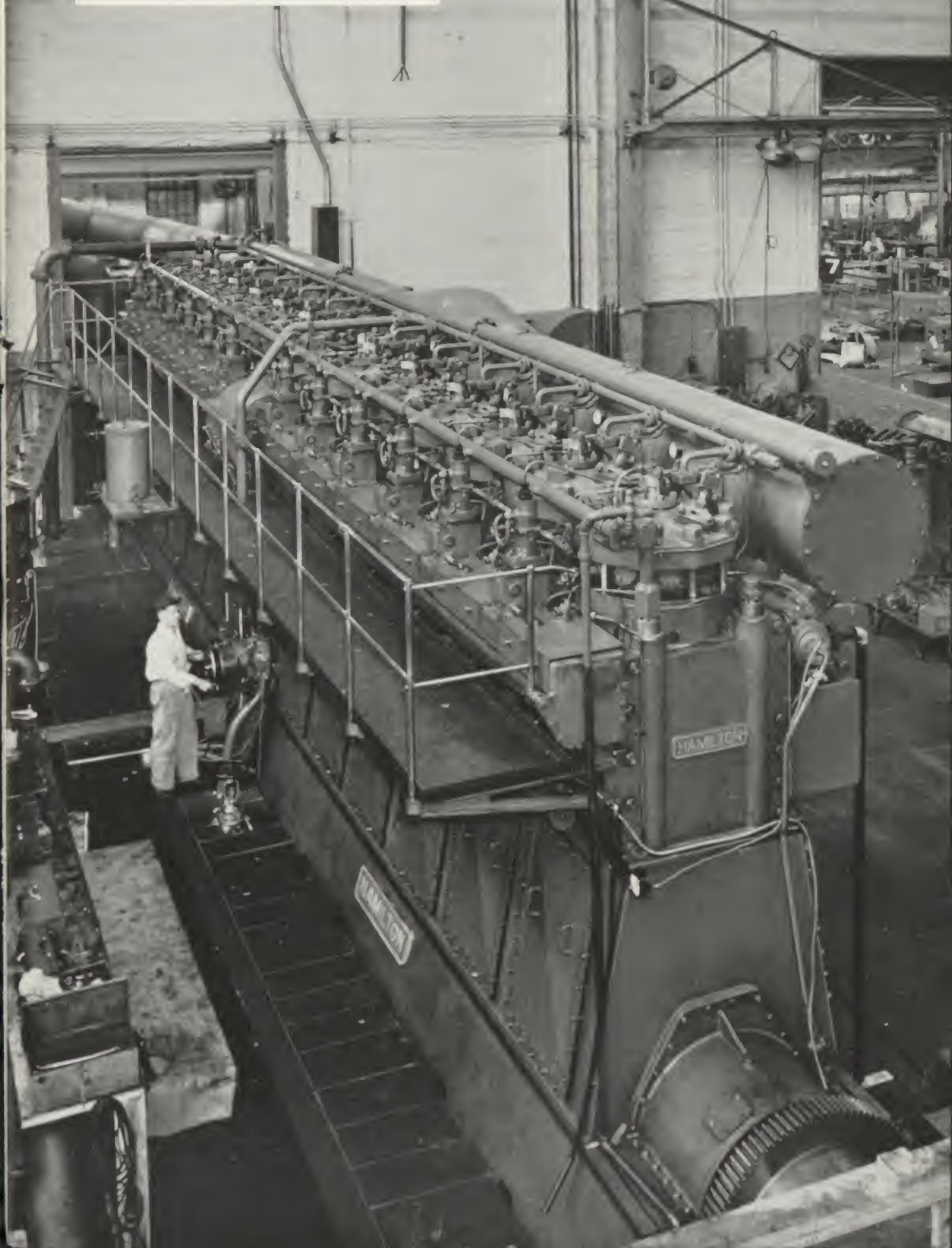
Baldwin-Westinghouse 1,500-hp. diesel electric locomotive in service on the lines of the Argentine Government Railways.



*Hamilton Mechanical Stamping Press,
weight 1,800,000 lb., installed
at Midland Steel Products Company.*



Hamilton 12-cylinder, 5,370-hp. single acting, two-cycle diesel engine built for the City of Decatur, Indiana.



Baldwin Forging Press of 11,000 tons capacity, installed at the plant of Cameron Iron Works, Inc.



*Austin-Western Hydraulic Crane, a
new and revolutionary type of materials
handling equipment.*



*Austin-Western Super '88', six wheel
drive and steer power grader at work
on a highway construction project.*

